

(F)

*Distillation?*

# REGION OPERATIONS REPORT

**PM** PHILIP  
MORRIS

*R1 - P.4 (B)  
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DRS HIGHLIGHTS

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MONTH:

JUNE 1987

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REGION HIGHLIGHTSI. MARKETING CONDITIONS

P.M. Brands - Marlboro continues strong with YTD sales up 3.4%. Merit is up .3% and all other families show losses. Total YTD sales for Region +.4%. Current month (June) showed volume +.5%, so loading was about even with previous year load.

Cambridge Full Flavor - Most of allocations were sold. Same distribution patterns as Cambridge Lights. Full Flavor load-ins and sales will help to slow huge losses shown on this brand this year. The increased couponing activity should also help in most markets.

II. MAJOR COMPETITIVE ACTIVITY

American - Heavy B1G1F on Carlton.

B & W - Capri retail sell-in scheduled for August 4th in N.Y. area. Offering \$35.00/cs. and 3 1/4%, 30 days. Large numbers of B1G1F's are planned. Distributors offered \$20.00/cs. to attach B1G1F to blister cards.

- Falcon Lights - 40-pack counter displays with 10¢ off stickers on packs. Good movement reported.

Lorillard - \$2.00 off on-carton coupons on all Newport packings.

R.J.R. - "Sensor Rack" is getting much attention, especially in New Jersey where our rack penetration is over 30%. Pathmark and A & P have shown considerable interest.

- Call rates reduced to 6 to 8 calls per day to emphasize quality calls and to try to dominate P.O.S. Results are showing in a heavy attack on P.M. OHPM's and exterior P.O.S. -- S/R's being supported by P/T Merchandisers.
- Magna - Sales good where retail is flooded with B1G1F's. 40-unit displays are backed with 100 more units for restocking. Marlboro Box is the primary target.

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#### F.V.B. - Private Label

- . Reorders appearing for Royale at A & P.
- . Sold 100 cases through Attea to Indian reservations.
- . Fay's test still on hold.
- . Tops Supermarkets showing good interest.

### III. TRADE ACTIVITIES

#### Supermarkets

- . A & P Metro will replace CMS II in the very near future. The P.M. Series 2000 is acceptable as a fixture to them, but we cannot approach the merchandising monies available on R.J.R. Flex. We will present a proposal on 7/16 with a free-standing P.M. fixture (Series 2000) in addition to the R.J.R. Flex. This will allow more total merchandising monies than R.J.R. can offer with their Flex.
- . Iandoli's Supermarkets is testing a Series 2000 4' x 6' x 4' in their new Food World Stores.
- . Greenfields (8 supermarkets) are testing self-service in two new stores.

#### Convenience Stores

- . Direct shipments of Cambridge 2-for-1's to Stewarts and Mobil in Section 13.
- . Difficult to achieve much movement of Price/Value product in these stores and gas stations in the Northeast.

#### Drug

- . Fay's Drug is considering self-service carton fixtures again, as well as a test of our FVB products.

#### Mass Merchandisers

- . Zayre's - Cigarette volume has increased greatly and they are open to proposals for carton fixtures, pack fixtures and displays. They took our Marlboro 240-carton A-1 for 313 stores.

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#### IV. DRS KEY ACCOUNT CONTACTS

Modern Tobacco - Met with David Yolen several times to discuss various problems and opportunities and meet with A & P personnel with him.

A & P - David Abelman (2 contacts) and Steve Green (1 contact). Discussed A/G's, carton fixtures and Royale. David provided me with shrink studies done by R.J.R. on their Sensor fixtures.

Harold Garber - Two contacts this period. Pleased with P.M. service - no problems.

Jack Gordon & Sons - Talked with Arnold Gordon. Invited to Newport Virginia Slims but he had previous plans.

Pine State Tobacco - Talked with Paul Auger. Discussed FVB product movement and his efforts to move it.

A & P Northeast - Contacted Fred Gregari. He agreed to AV/AG fixtures, Cambridge and Royale distribution in this Division.

Dairy Mart - Contacted Charles Nirenberg, CEO. He was preoccupied with illness of his daughter and pending operations. Will follow up later.

#### V. MERCHANDISING PROGRAMS

Plan A - Upgrades to increase Philip Morris rows have been made with a number of chains and independents. Most of these are a result of new R.J.R. Flex placements that were in response to Series 2000 presentations.

Plan BV - A shortage of displays has inhibited our efforts. Placements will resume when more are available.

Plan A-1 - Good pre-book acceptance for Cambridge and Marlboro A-1's.

#### VI. REGION ACTIVITIES

Resort Programs - Underway in all areas. Bar nights booked and running. Special coverage made and will continue.

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Marlboro Summer Inventory Program - Excellent pre-books with this program. Could have been better with higher incentive (we pay 10¢/carton vs. competitive 20¢ to 25¢). Because many pre-books were to be delivered following the price increase, some distributors refused to ship pre-books without extra allocation. We got some approved and some were rejected.

Couponing - As previously mentioned, this program has greatly improved. We are currently over 80% couponed on Cambridge.

#### VII. SALES SERVICES

Special thanks to Steve Sabella and Greg Chapman for their help in solving whatever logistical problems we have and following up with answers to our many questions.

We have some small problems with our Midas printer which frequently will not print without calls to Richmond.

#### VIII. SALES DEVELOPMENT

The new S.A.M.'s are beginning to settle into their jobs and are aggressively seeking new opportunities to build our business. Most of July and part of August will be devoted to training and seminars.

Plan AM appears to have some possibilities in Region I, however, we need to extend it to calls in higher volume categories that are non-self-service and increase the payment for a free-standing Marlboro merchandiser.

#### IX. MEDIA

Customer outings in Section 14 and Section 15 were held in cooperation with Foster-Kleiser (Patrick Advertising) and with Gannett. These were well attended and very favorably received by our customers.

Vinnie Weiner has put together an excellent program for us at Foxboro Stadium. In addition to the Patriots games, we can use the box for other events like the "Madonna" concert on July 11th.

We will be taking selected influential customers to Davis Cup matches in Hartford, CT., on July 24, 25 and 26. Report will follow.

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X. OTHER

The Meadowlands Grand Prix was successful in drawing a good customer count for Sunday, however, Friday and Saturday were light because of rain. An excellent job was done by all N.Y. personnel involved with Autosports, and our Section 15 personnel working the race were well organized and executed well.

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Region II

## I. PHILIP MORRIS BRANDS

### TEST

#### P.M. BLUES

Inventories have shown a dramatic improvement, especially in the inner-city since we have ended major coupon giveaways. We have been able to regain distribution in problem accounts where we had suffered out of stocks, but we must improve our turnaround time with our coupon redemption program. Recent audit by Marketing Research in a wide variety of inner-city calls revealed 100% distribution.

Based on lasted Marketing Research analysis of the Blues market, we have achieved between a 0.8% and 1.5% at retail with Newport appearing to be the hardest hit.

New billboards on Blues are white with blue paint splashed on, and the word Blues written across the splash of blue paint. They really stand out and break through the clutter of billboards. The brand appears to have gained a small base of customers in the inner-city area. Rural and suburban areas, the brand has almost stopped. With the new billboards, possibly another shot at retail with this same type advertising used on all P.O.S. and displays in the suburbs and rural areas, we could regain some momentum. I feel Blues can be a viable brand, but we must get back to working it.

S/R's have also suggested that we continue additional two for ones and expand 5 for 2 into package outlets on a selective basis. They also recommend the best way to gain consumers were through the Intercept Program.

#### Marlboro Menthol Lights Expansion

We have expanded our original test to include the 100mm Lights version and we do not anticipate any problems.

We have utilized 100% of the 2 for 1 and 2 with Wallet promotions. The 5 for 3 promotion is still being worked. Although some of these promotions have not been as successful as we anticipated, we are still gaining consumer trial. Distribution is being maintained at 98% throughout the market.

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## PRICE/VALUE

### CAMBRIDGE LIGHTS FULL FLAVOR

Initial feedback and acceptance of this product continues to be good at all levels. Kroger G.O. has approved both packings for all Peyton locations and product has been set up for ordering as each KMA makes its decision.

F. W. Albrecht has now accepted all packagings in-house.

Standard Oil stores has accepted the entire Cambridge family for the first time and will authorize BV's at Managers option either self-service or NSS. This is a major breakthrough.

Some question has arisen regarding the pre-printed generic price message on the end of the carton (i.e., Bosart, Thriftway) as some accounts feel it will conflict directly with their black and white business. Some have asked how long statement will remain on carton.

Outside manpower as well as part-time personnel will be used to coupon much of this product at wholesale level during remainder of introduction period. Based on all packagings, I would estimate we have 89% of all product couponed at retail.

Full Flavor Cambridge introduction has begun with positive results to date. We are presenting to all accounts as we go, either expanding our current Value Centers or to start participation in our AV/AG program. We have had some good feedback but no commitments to date.

Our recent .25¢ off per pack, on the Cambridge heavy up Menthol program went very well, according to Sales Reps they sold better than some 2 for 1's.

### PLAYERS LIGHTS 25's

Though general movement is somewhat slow, slight increases in retail distribution continue to be seen each month. 2 for 1 banding - though time consuming - proved an effective vehicle for moving product through the pipeline.

## II. COMPETITIVE ACTIVITY

### AMERICAN

It is rumored that American Tobacco is going to add 128 more Sales Reps nationally with redeployment scheduled in the next few months.

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AMERICAN (continued)

Pall Mall Filter expanded into balance of New York State and Pennsylvania. Forwarded details to N.Y.O. Introduction was 44.50 off per case on King and 46.38 off per case on 100's.

Malibu appears to have found a notch with their \$3.00 coupons on cartons and .30¢ on pack coupons for packs.

B&W

Nothing significant to report.

L&M

✓ L&M Lights 100's (30 pack) - the only details discovered thus far are as follows:

Packing will sell at 20's prices.

✓ \$12.00 per 12m case - automatic distribution allowance and  
\$ 4.00 per 12m case - stamping allowance.

✓ Additional details will be forwarded as they become available.

LORILLARD

In P.M. Blues Test area, offering .50¢ off tear off coupon with 3 pack purchase of Newport Filter and Lights - 4 carton display.

✓ Newport Slims and Newport Slims Lights have appeared in the Delaware Marketing area. Almost an exact replica of our Virginia Slims.

R.J. REYNOLDS

✓ During the month of July, there is a Winston/Salem Bond promotion. Mass displays will feature on-carton instant redeemable coupons for \$1.00 off plus mail-in offer for a \$50.00 U.S. Savings Bond free with 8 carton proofs or purchase of either Winston or Salem. The alternate offer is 5 carton proofs along with a \$10.00 check to order their bond.

In April, RJR started a new program utilizing Promotional Specialists designed to assist the regular RJR sales rep. Letter advising retailers of new program mailed to N.Y.O.

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R. J. REYNOLDS (continued)

RJR S/R's continue to use mass quantities of Doral coupons not attached to product as incentive to retailers to remove P.M. racks and signage. Kentucky Souvenir in Milton, Ky. Received 1,000 \$1.00 off Doral coupons to remove P.M. signage.

RJR is going on a blitz to replace our overheads in the Cleveland Market area. It is rumored they have stocked up local warehouses with large quantities of their new models and have an all out push.

All RJR Directors (equivalent of P.M.'s Region Sales Director) have had a title change to Vice President of Sales.

Buyers for a chain informed our Area Manager that RJR was going to re-design the Century package and bring it out at a Generic price. Did not know whether it will be packed as a 20 or 25.

RJR will have \$2.00 off coupon in July on Winston, Salem, Vantage and Camel Lights. Reps. are booking heavily into wholesalers. ✓

New OPM similar to ours is starting to appear in the field. The most desirous new feature is the adjustable height mechanism.

RJR is presenting new P.O.G.'s for all their Value Centers. These contain space for both Magna where available and Malibu. They are naturally reducing space previously allocated to Cambridge. Their new Price Value fixtures are much more functional and present a better appearance than our current units.

New overhead pack merchandiser from RJR featuring \$40.00 monthly payment and up and down adjustments with a crank mechanism similar to ours.

FVB

KROGER

Kroger has reviewed the Business Development Program and has requested market research on Generics/Price Value category in their marketing areas, since Cost Cutter volume is slipping. Recommendations could include:

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KROGER (continued)

1. Upgrade of the Cost Cutter label
2. Increased packings from 6-8 (include 2 full flavor packs)
3. Increase couponing rates.

Proposal scheduled for three weeks - Value Centers should be included in proposal. Pete will contact Don McMillan on this issue.

REVCO

Negotiations continuing with Revco - last two issues are returned goods and Value Center payments - (Paul Allan). We have submitted modified ruling on returned goods and their lawyers are evaluating.

✓ - Other considerations were resolved in the last call.

1. Upfront funding - from 25% to 50%
2. Trade Discount - from 50 + 15 to 65¢
3. Terms - One Year 270/30 remain same
4. Free Goods - free goods in 2nd year

Looks very positive in accepting.

WEIS

Currently with Liggett, account does substantial Generic volume. They have been presented F.V.B. Business Development Program, but need more significant reason to change. Private label packings present an excellent opportunity. Pete will schedule an appointment with Weis to present modified versions of all American Value Brands packing for their consideration.

THRIFTWAY

Made fact finding presentation to Thriftway on 6/10. Van Pelt interested in one year program only (not three year) and Pete will adjust our proposal accordingly. Our program for indirect accounts should be in the running.

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### III. TRADE ACTIVITIES

#### SUPERMARKETS

Velocity Food chain (5 stores) has exclusively gone with P.M. System 2000 racks and P.M. Package Fixtures. This chain sells well over a 1000 cartons per week per store.

Kroger, Cincinnati has accepted Marlboro shopping baskets for all 6 zone stores which represents 174 total stores.

Kroger, Cincinnati has accepted the 300 carton Marlboro A-1 for 40 of their stores and 86 stores which have smaller units.

Insalaco's signed to a 71 row Plan A in a self service test store.

Kroger, Columbus accepted Cambridge Full Flavor with a 5 & 5 automatic distribution. Also, Kroger, Columbus will be testing AG racks in several of their stores.

#### CONVENIENCE/GAS

Standard Oil has accepted along with B-V's in (50) Columbus Stations. The B-V's should be expanded to (40) additional stores in the Cincinnati area in August.

Lawson, which originally refused Cambridge, has accepted all packagings. ✓

Time Markets (28 stores) and Pen Supreme (66 stores) are installing telephone booth with ad panels at each of their locations. Both chains have requested participation and we have referred this request to Sales Planning for follow-up.

Turkey Hill (183 stores) upgrade B-2 to M-3.

United Dairy Farmers have accepted the Marlboro Shopping Baskets for all 206 stores.

Gained commitment for Marlboro A-1 Sports Bag in 188 Emro Eastern stores.

#### DRUG

C.R. Pharmacy special overhead carton storage fixtures is currently being constructed with installation due for later July.

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## DRUG (continued)

Cawdrick Drug will be placing our overheads in 5 stores.

Revco has reinstated both packings of Cambridge Lights, which were reported dropped in last week's update.

## DISTRIBUTION

We continue to monitor and audit accounts serviced by Capital Cigar and Tobacco Company for O-O-S conditions, especially Safeway stores. Section 22 personnel are taking appropriate steps in bringing this to the attention of Dennis Lowry who is reported to be taking corrective steps.

Barry O'Brien's department along with Market Research is working very closely with us in preparing materials for a presentation that we will make to Capital Cigar & Tobacco Company for them to use with the chains they service.

Bosart Co. has gone through some reorganization. Roger Overholser demoted from President to Vice President and the new President, Fred Haggerman, came from Marathon Oil.

## IV. DRS KEY ACCOUNTS CONTACTS

Met various customers at the Pennsylvania Food Merchant Convention, June 14-16. Customer booth provided excellent vehicle to present System 2000 and Package Fixtures and secure fixture placements.

## V. MERCHANDISING PROGRAMS

### CARTON MERCHANDISING PROGRAMS

Acme Program - Currently, 178 Acme Markets are using our carton fixtures with 42 additional locations scheduled for next two quarters.

Standard Oil will test (11) System 2000 in their Atlanta Region. In selected high volume outlets, these will be used instead of our CMS II fixtures. Hopefully, these will be implemented in all stations, however, Standard Oil does move slowly. Also, Standard Oil is working with us to develop some signage as they will be expanding their generic cigarette departments.

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### CARTON MERCHANDISING PROGRAMS (continued)

Efforts are being given to the placement of P.M. fixturing in key high volume independents using field inventories of CSM II. The 3' x 3' CMS II units are being taken out of closed Safeway Stores are also being placed in some independents. To date, we have 1,272 carton fixtures reported.

#### PLAN A-1

Merit Sea Coaster A-1 response has been good. I would estimate 93% usage at this time.

Flexibility with Marlboro Sports Bag A-1 for August should make 100% usage a reality. Early lead time help secure placements with Kroger and Emro.

#### PLAN AM

Currently working on an account by account basis to project objectives.

#### PLAN AV/AG

To date, we have not received the new revised Contract form which is hindering our results. As of the end of May, we have 2,675 AG/AV units on location which represent 155 new units.

### VI. REGION ACTIVITIES

#### MARLBORO AUTOSPORTS

Despite several obstacles, the planning and preparation process for the July 4th race has been completed.

#### SPECIAL PROGRAMS

May 30th and 31st - B&H sponsored the Jambalaya Jam at Penns Landing. We had an estimated 40,000 attendance each day. We could have used additional samples.

In process of finalizing plans for the Annual Chincoteague Pony Festival 7/28-29. Will investigate the availability of Marlboro Pack Incentive Displays to place in stores surrounding festival.

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## VII. SALES SERVICES

### P.O.S. FACILITIES

By the end of July, I expect all of our consolidated and expanded warehouses will be operational. This should make us more effective and cost efficient.

### TAX & DISTRIBUTION

Effective 12:01a.m., Wednesday, July 15th, Ohio cigarette excise tax will increase from .14¢ to .18¢ per pack of 20's and from 17.5¢ to 22.5¢ for 25's.

A floor stock tax will be imposed on both wholesalers and retailers. The Ohio Tax Dept. will send out special returns to licensed wholesalers and retailers requiring an inventory at the close of business on July 14th. Tax return and remittance will be due 30 days after the effective date of the tax. Tax will be due on all Ohio Stamped inventory, Ohio Tax Stamps, and all dry or damaged goods. Retailers will be required to file a short return and pay tax on cigarette inventory as of the beginning of business on 7-15.

Cigarette manufactures will also be notified to pay a floor tax on all Ohio Stamped cigarettes in vehicles or elsewhere. This includes samples on which tax has already been paid.

Don Bruno, N.Y.O., has been advised and we are awaiting instructions.

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Region III

## P.M. BRANDS

- . PM Blues test cancelled! Sample product purchased at distributors and returned per instructions. Sell-in trade gifts and materials placed in storage.
- . Cambridge sell-in remains on schedule with excellent acceptance results. Most majors have accepted, while the balance are still under pending status.
- . Retail implementation going well with good acceptance by retail and consumers.
- . Sideline benefit of Full Flavor intro has prompted some chains to accept the Lights category same time.
- . Last field survey shows approximately 80% of self-service product is couponed. All Sections received allocated shipments of coupons.
- . Section 31 indicates some OOS problems starting to appear on the Lights category. Emphasis placed on double-depth merchandising.
- . Circle K and Southland will be heavily involved in the B1G1F promo (1,080 combined stores). Promo product shipped through McLane-Southeast and SDC warehouses.
- . Retailers requesting more frequent coverage by S/R to keep product couponed like competition.

## MAJOR COMPETITIVE ACTIVITIES

### American

- . Malibu showing poor acceptance rates with chains. Some space being taken from Cambridge on P.M. Value Centers where accepted.

### Brown & Williamson

- . Florida Sections indicate that Capri has peaked with few repeat sales being reported. Distribution excellent and supported by crew-work in certain areas.

### Liggett & Myers

- . Introducing L & M Lights 30-Pack in Savannah/Augusta, GA.
- . L & M generic packing known as "Rainbow Lights" accepted by Fleming Foods, Johnson City, TN - 85/100's, Regular/Menthol.

### Lorillard

- . Working extensive \$2.00 store coupons on Newport.

### R. J. Reynolds

- . Heavy \$2.00 couponing on Winston/Salem/Vantage. Coastal Markets offering 2-pack deals 75¢ off.
- . Magna reported to have limited distribution in FL Markets. S/R efforts directed mostly to Doral and new OPM placements. P.M. losses mounting and units continue to be destroyed. P.O.S. blitz reported most Market areas resulting in large permanent piece losses.

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. 20-carton drop ships of B1G1F (Winston/Winston Lights) being reported in Cumberland Farms, Best Buy Drugs, and wholesalers. Distributor paid \$15.00 case to assemble.  
. Hiring additional P/T personnel to coupon product where value centers exist. Contact every other week. Stores advised via letter from Winston-Salem HQ. of their duties and schedule.  
. "Golden Umbrella" program elements include 2/3 week's pay for every year of service, plus 6 weeks' pay. All P/T help in SC laid off.

## TRADE CLASSES

### Distributors/Wholesale Grocers

Displeasure voiced over size of price adjustment allocations by many distributors. P.M.'s 100/100% was indicated to be small compared to RJR's 220/285%, 200/225%, and 110/150%. Majority of accounts took full advantage of RJR allocation. P.M. inventories heavy at present!

### Convenience Stores

RJR is aggressively targeting its attention to this trade class for expanded OPM placements. Installation fees ranging up to \$150 per store. P.M. losses continue to mount. Units being destroyed where removed. Interest again being renewed on carton sales. Plan AM should produce excellent point of reinforcement.

### Supermarkets

Winn-Dixie/Jacksonville issued new P.O.G. for NSS stores giving P.M. 14 rows vs. former 20. Cutback result of competitive NSS payment schedules.

Several chains have indicated conversion plans underway to go NSS. Piggly Wiggly (82 stores).

"Test Program" being developed to re-present EMC signage program to 400 CPW chains in State of Florida. Will use \$50.00 per month/store schedule as new "acceptance incentive."

. Charter Marketing (290 stores) has tentatively agreed to use P.M. OPM in all stores if customized to specs. Also interested in AM or low-profile fixtures. Follow-up underway.

### DRS KEY ACCOUNT CONTACTS

| Date    | Account  | Contact                      | Purpose |
|---------|--|------------------------------|---------|
| 6/18/87 | Eli Witt<br>Corporate  | Mike Riegler<br>(VP-Finance) | EPP     |
|         | . Discussed minor details of EPP program/financial overview. |                              |         |

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| Date    | Account               | Contact                        | Purpose   |
|---------|-----------------------|--------------------------------|---|
| 6/19/87 | Eli Witt<br>Corporate | F. Hoyland<br>(President)      | EPP<br>Golf Outing - Orlando<br><ul style="list-style-type: none"> <li>Reviewed general house operations and inventory base on P.M. brands. Also, reviewed EPP program details per Fred's request. Played golf with Fred during day's outing. Secured approval for PM Blues distribution in Atlanta Test Market.</li> </ul> |
| 6/19/87 | Eli Witt<br>Corporate | D. Hattenberg<br>(Dir.Finance) | EPP/Finance<br>Golf Outing - Orlando<br><ul style="list-style-type: none"> <li>During Golf Outing, discussed general financial objectives for corporate and individual house branches. Discussed generic profit structure for house products and repositioned Cambridge merchandising program for FL Markets.</li> </ul>    |
| 6/19/87 | Super Foods           | J. Young<br>(V.P.)             | Golf Outing - Orlando<br><ul style="list-style-type: none"> <li>Discussed business objectives and corporate strategy for '87. Reviewed P.M. promotional efforts and secured cooperative commitments.</li> </ul>   |
| 6/20/87 | All Brands<br>Vending | L. Rosenquist<br>(President)   | Golf Outing - Orlando<br>Vend lineup<br><ul style="list-style-type: none"> <li>Discussed current business issues and trends revolving around Vending segment. Promoted new P.M. line extensions for expanded column installations.</li> </ul>   |

#### MERCHANDISING PROGRAMS

Response to System 2000 carton series reflects less-than-satisfactory results due to RJR payment advantage on Flex system. Major advantage is still being able to force larger departments by providing optional fixtures where RJR is resisting expansion of current furniture.

Plan AM schedule excellent tool for low-end stores but need to waive 75/25% rule on Brand load factor in Markets where Cambridge warrant more inventory base. Also suggest supplementary payment schedule for those C-stores above 300 CPW where Plan A is "restrictive."

AV - A & P/Charlotte tentatively agreed to a dual AV unit for Royale/Cambridge for all stores. Pending corporate ruling.

- . Kwik Marts accepted AV 15 stores
- . Byrd's Markets accepted AG's - 38 stores

Anticipate considerable conversions of Value Centers to AM's as program gains identity during sell-in. Need flexibility of placing A-1 type units where volume warrants expansion. Suggest local pay on expense statements like Nashville Test.

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## REGION ACTIVITIES

Responsibility Roles of SSM's, SHA's, and AM's reinforced verbally and through written communications to expand key account contacts. (Noted general reduction last several months)  
Reinforcement of schedules will be reported via monthly operations reports.

Training assistance also being reinforced with SSM's for SAM's until ADRS can establish more consistent schedule.

## SALES SERVICES

No significant developments to report.

## BUSINESS DEVELOPMENT ACTIVITIES

- . Hill & Foss (18 stores), Atlanta, agreed to "test Cambridge" as only generic product in distribution.
- . Fast Fare (198 stores), Greenville, gave verbal commitment to place B displays in remaining 80 stores. Also expressed interest in P.M. wall-mount pack racks.
- . Circle M Foods (19 stores), Gainesville, GA, upgrade B-2 to M-3.
- . Super-X (19 stores), Atlanta, signed BV S/S for all stores.
- . Chatham Oil, Tuscaloosa, signed new M-4-P display.
- . Autry-Greer (30 stores), Mobile, signed AV contract.

## OPPORTUNITIES

- . Strong possibility to gain 290 OPM's with Charter Marketing stores, Jacksonville, by personalizing and ceiling-mounting units.
- . Numerous opportunities for 3-pack price banners, but turn-around time excessive.

## PROBLEMS

- . Warehouse consolidation project has created overloads on various items. Attempts being made to reship excess to Atlanta Warehouse. All Sections now complete!
- . Panama City Resort Program - Materials both late and short. Delinquent report submitted.

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R. L. JONES KEY ACCOUNT CONTACTS - MAY, 1987

Bi-Lo                    165 Stores  
Contacts:   Mart Orr, Buyer  
             Alan Nottle, Vice President - Sales

Had a luncheon appointment with SAM Ahna Breazeale and the above people. We discussed Bi-Lo's overall operation, followed up on previous Plan A presentation, and discussed the reintroduction of the Cambridge family.

Ahna will sign a new Plan A on June 1st, 1987 and pick-up authorization forms for Cambridge at the same time.

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R. L. JONES KEY ACCOUNT CONTACTS - JUNE, 1987

Winn Dixie : 1,512 Stores  
Contact : Lewis Perry, Vice President Operations

Presented FVB, Cambridge, and AG Unit in conjunction with FVB Region Manager, Trip Huey. Lewis showed great interest in the entire program. As usual, final decision will probably be delayed at least 30 days.

Kroger - Nashville: 90 Stores  
Contact : Mark Thompson, Division Vice President

Spent time with Mark prior to his presentation to our SAM's at Myrtle Beach. Discussed various business aspects regarding Philip Morris and Kroger-Nashville. It is obvious that SSM Martindale and SAM Sullivan have this account well in hand.

I attended the Section 33 and 34 Golf Digest Golf Tournament, where I spent time with many of Region III's customers, most notable Fred Hoyland, President, Eli Witt.

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Region IV

## I. PM BRANDS

Test Brands

Virginia Slims Ultra - Customer request has continued to escalate in those areas surrounding test territories. This is positive reinforcement for our upcoming national introductory.

Price/Value

Cambridge Full Flavor is being readily accepted by a vast majority of the accounts in the Region. Pre-booking is going to have a positive affect on initial distribution and inventory levels.

Couponing takes up too much time. I suggest that we factory coupon Cambridge and other value products to help improve this situation. Currently, approximately 56% of the Cambridge is couponed at retail.

## II. COMPETITIVE ACTIVITY

American

Malibu is the primary brand being worked this period. Sufficient inventory and coupons are key factors in achieving volume gains. In addition, floor fixtures with a \$50 payment are being placed in retail accounts. Malibu has to occupy at least one shelf of packs and one shelf of cartons. Shelves four and five are occupied by Lucky packings.

American Tobacco reps are trying to increase Plan A space in accounts doing over 300 cpw. The additional space is supposedly in preparation for upcoming new brands.

Brown & Williamson

Richland is being featured in 2/1 displays in an effort to offset RJR's new Century packing support.

Capri is being sold in at Fontana for K-Mart's located in test markets. All packings were accepted.

Lorillard

A new Plan A supposedly will be introduced in the third quarter.

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## II. COMPETITIVE ACTIVITY (cont.)

### R. J. Reynolds

Coupons sent to consumers via RJR's mailing list have been increased from \$2 to \$2.50.

Presentations to accounts with PM fixtures continued to escalate this period. New racks are being used to get or maintain advantage. Examples range from presentation of adjustable overhead pack merchandisers to carton fixtures with security bells/whistles. We must have competitive units or prototypes to compete with these new units if it becomes necessary.

Salem and Century's new packaging was made available to consumers this period. Reaction has been minimal.

## III. TRADE CLASSES

### Supermarkets

Preston Safeway of Indianapolis, Indiana, authorized electronic message centers for the 35 stores. This is the largest order we've received to date.

Jewel and Dominick's are testing different types of RJR alarm racks.

### Mass Merchandisers

Target is planning to become more aggressive and competitive by invading K-Mart's home state with approximately 40 additional stores over the next five years. We are developing a new store color System 2000 with PM signage for this account. Their management appears to be receptive to this concept.

### Drug Stores

Snyder Drugs is considering purchasing cigarettes from Minter-Weisman and giving up their direct status. This would allow them to reduce their staff and equipment purchases and remain profitable. A decision is expected within the next two weeks.

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#### IV. KEY ACCOUNT CONTACTS

##### Walgreen Drugs

SAM, Alan Sher and I contacted Dale Solner (Buyer) to review distribution and company direction. He indicated that RJR made prototype displays which would be on display. He also stated that he would try to get us a peek and allow us to participate in future display proposals.

Customer contacts were also made at the Detroit Grand Prix and at our Philip Morris/Patrick Media Group golf outing. These are excellent vehicles to enhance business relations.

#### V. MERCHANDISING PROGRAMS

##### Carton

Compact/Impact - C/I contracts are currently set by counting actual rows. This is very difficult to establish and maintain. In addition, many unnecessary non-compliances are created. My recommendation is to standardize C/I (gondola shelving) exactly like fixture shelves.

#### VI. REGION ACTIVITIES

We have increased our efforts on behalf of Electronic Message Centers. Currently, there are seven chains signed. We will place approximately 110 units on locations by the end of July.

#### VII. SALES SERVICES

##### Fleet

Discussions with SSM's indicate our maintenance limit of \$100 without a purchase order seems obsolete. A \$200 limit is suggested.

#### VIII. SALES DEVELOPMENT

We are working with Sales Development on a three-pack promotion for Tom Thumb and a carton rack prototype for Target.

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#### IX. MEDIA

Nothing new to report.

#### X. OTHER

We are in the process of developing plans to fight the restrictive smoking legislation, which is in the proposal stages for the city of Chicago.

Sell-in brochures for PM merchandising units are probably as significant as having the unit available. I recommend that we make this type of material available at the same time items are available.

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REGION 5 - HIGHLIGHTS/OPERATIONS REPORT  
JUNE, 1987

I. PM BRANDS

PM brands in three Sections throughout the Region are continuing to be rather soft due to the declining economy. Section 54 continues to excel and one of the reasons for their continued growth is due to the success of Cambridge. We feel there is an excellent opportunity throughout the Region to further establish our Cambridge brand due to the popularity of the Value segment.

Value brands in Region 5 account for 11.39% of sales versus 9.14% nationally. Doral has a share of 3.14 in the region and continues to grow. In Section 51, they have a share of 5.10.

Test Brands

The test of V/Slims Ultra Lights continues in Memphis with 94% distribution and a share of market of .7%. Out of stocks have virtually been corrected with additional space on carton fixtures and more attention to ordering at the convenience level.

The V/Slims Ultra Lights test in New Orleans has just completed its 4th week at retail, with 60% distribution and 98% utilization of 2F1's. Recent audits reveal that many chains had not forced product to retail, however, I am advised that with the exception of TimeSaver, all chains now have distribution. Depth of inventory and visibility was also of concern and corrective measure were taken. Our sales force was primarily placing promotional displays with marginal efforts on backup inventory and visibility. Instructions were issued to slow down and perform the entire in-store mission as it pertains to new product introduction.

Marlboro Menthol Lights - St. Louis -- Marlboro Lights 85's and 100's, along with reformulated Marlboro Menthol are being tested in St. Louis. Section meetings held on June 29 with a high degree of enthusiasm. Initial calls have been very positive, i.e., Southland Midwest accepted all three packings for 200 stores in the test area with 50 carton forceout.

New Brands -- Cambridge Full Flavor

The wholesale sell-in has been under way for about four weeks and results are very positive. Virtually all direct accounts have accepted, with a few chains still pending. Initial results look very good with some major chains,

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i.e., Safeway Little Rock purchased both packings with a 60 carton forceout to 89 stores. Southland Midwest purchased both packings with a 60 carton force out to 417 stores. Section 54's retail sales force has pre-booked over 80,000 cartons of Cambridge.

## II. COMPETITIVE ACTIVITY

### American

- o New Value Contract which offers \$3.00 per row on value brands for volume levels at 500+. Also, \$2.75 per row with volume levels of 400-499, and \$2.50 per row with volume levels from 300-399. Maximum rows for all volume levels is 18.
- o Continue to promote three packings of Malibu with \$3.00 carton coupons and B1G1F. Distribution good, very limited visibility, with slow sales.

### Brown & Williamson

- o The test of Capri continues in New Orleans and has been expanded into Mississippi. In the New Orleans area, share of market is at 1.2% of sales and this share is without promotional activities. Market presence is excellent with distribution, depth of inventory and visibility. Due to the introduction of V/Slims UL, Capri is now working a 2F1 promotion and again crew working the New Orleans area removing V/Slims UL point of sale to the extent possible. Their test in Mississippi is not nearly as far along as New Orleans and current distribution and sales are rather slow.

Throughout the Region, they continue to place emphasis on Falcon with \$1.00 coupons and 2F1's. They are paying \$2.00 per row on value centers. Distribution good, however, sales remain slow.

### R. J. Reynolds

- o Package and carton change on Century 25's to a dark burgundy.
- o Placing heavy emphasis on their new adjustable overhead, offering a wide assortment of payments for the removal of PM fixtures.
- o They are currently working a 13 week promotion with Skaggs Alpha Beta featuring special displays, \$2.00 carton coupons and store sales.

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- o Trade Mark brands being introduced in St. Louis, i.e., Spearmint, Nomad and Apex.
- o Doral continues to grow, however, recent field visits reveal that coupons are not as obvious. It is reported that Reynolds is couponing visible inventory on every other store visit. Also featuring 20 pack display, 25¢ per pack discount.
- o All major brands are being promoted with \$2.00 coupons along with package promotions to include, 3F3, 75¢ off two packs, and premiums with 2 pack purchase.
- o Magna is continuing under test in the Austin, Texas market, featuring \$1.00 coupons and 2F1's. Distribution and visibility extremely good with current share of 1.2%. Wholesale and retail indicate that most sales generated by Magna are coming from other value brands, primarily Doral.

### III. TRADE CLASSES

#### Distributors/Wholesale Grocers

Price increase is the current topic of discussion and many accounts were somewhat upset with PM allocations of 100% of sales. They all remind us that Reynolds allowed buy-ins at the old price which far exceeded PM's offers.

- o Big Diamond, which is a Division of Shamrock, is projected to close August 1. It is indicated that McLane's of Temple will service the 532 Diamond Shamrock retail outlets.
- o Grocers Supply Company of Houston, TX recently bought Schepps Wholesale Grocers of Houston.

#### Convenience

The Southland Corporation has agreed to purchase 42 Stop N Go stores from NCS in Houston. Sale is not finalized at this time.

Convenience chains continue to aggressively price cartons in an effort to compete with supermarkets.

#### Mass Merchandisers

- o System 2000 presented to Wal-Mart, and even though they are expressing interest, they indicated on our last visit that they would go with the company that could provide the most merchandising dollars. Drayton McLane has agreed to assist us with Wal-Mart and we are making arrangements for this joint venture.

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IV. DRS - KEY ACCOUNT CONTACTSStandard Vending - Amarillo, TX

Contact: David McKeon  
Mike Lendlay

Accompanied SSM Wade Lott and SHA Rick Mitchum for a load plan presentation. Account very receptive and agreed to renew their load plan gaining PM 900 additional placements. Standard routemen will make all changes.

McCarty Hull - Amarillo, TX

Contact: Bill McCarty  
Andy Andrews

Accompany Wade Lott for the purpose of trying to smooth over some of their major concerns with our Credit Department. They are of the opinion that Philip Morris is making credit demands far above the norm and further feel they are being treated as an exception. Bill McCarty is very bitter towards Philip Morris.

Toot N Totem - Amarillo, TX

Contact: Dallas Snyder

Accompanied Wade Lott for a presentation on behalf of Cambridge Full Flavor. Dallas agreed to our BV displays for Cambridge Lights and is seriously considering our Full Flavor. Decision will be reached within ten days.

Imperial Trading Company - New Orleans

Contact: Gerald Pelius  
John George  
Dennis George

Accompanied SSM Ward Cashion for the purpose of Cambridge Full Flavor presentation. Account very receptive and agreed to pass on a portion of ADA's to sales force. Imperial quickly becoming one of the largest accounts in the Region.

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DRS - KEY ACCOUNT CONTACTS (Cont'd)National Tea Co. - New Orleans

Contact: Jay Jeffers

Accompanied Ward Cashion on behalf of Cambridge Full Flavor introduction and AV displays. Mr. Jeffers accepted Cambridge with a forceout of 10 cartons each, and agreed to our 7-wide AV displays to be placed immediately. Placements are under way at this time.

Grocery Supply - Sulphur Springs, TX

Contact: Malcolm Kirkland

Entertained Malcolm and his wife at the Detroit Grand Prix. Malcolm and Alice were very appreciative and I feel a long lasting rapport has been established.

Sweeney & Co. - San Antonio, TX

Contact: Travis Owens

Entertained Travis and his wife at the Detroit Grand Prix. Travis expressed his deep appreciation and again, excellent rapport was established with this account.

Southern Tobacco Co. - Ft. Smith, ARContact: Joe Jackson  
Ken Schmidt

Ken, Joe and their wives were entertained at the Detroit Grand Prix. These couples are racing fans and very much enjoyed and appreciated the occasion. I feel confident that strong business ties were established.

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ADRS - KEY ACCOUNT CONTACTS (June)

Safeway Division Headquarters - Oklahoma City, OK

Contact: Mary Adamson, Buyer

Accompanied S.A.M. Gary Thornton to introduce Cambridge Full Flavor. Buyer, Mary Adamson committed to an accelerated acceptance schedule for the Full Flavor and agreed to bring the Lights packings back into the warehouse from Consolidated. If we can get the late arriving New Product Circular in her hands by Monday, June 8, she can fairly well guarantee a force out of 70 cartons to each store by the June 29th launch date.

She also raised the old issue of terminology in the order and price increase processes. Our communications consistently stress thousands, but the accounts deal in cartons and cases causing entirely too much refiguring and potential communications problems.

7-11, Oklahoma City, OK

Contact: Bill Brown, Owner

Called on Bill Brown of 7-11 to discuss the recently installed overhead package fixtures in his stores and solicit his support in contacting his legislators regarding the proposed excise tax increase. Bill is quite happy with the overhead fixtures and indicates they will be staying as he has heard many favorable comments from his store people. Bill will not be lending support on the legislative side as he feels it is really none of his business and he would rather not "waste a bullet" with his legislators.

Consolidated Wholesale - Oklahoma City, OK

Contact: J. J. Lehman

Made a courtesy call with S.A.M. Gary Thornton on this account. The repayment schedule for Consolidated has been approved and they are finally clearing the bankruptcy proceedings. After the final 50% payment at the end of October, the incident will be closed.

Scrivner - Oklahoma City, OK

Had a scheduled appointment, however, this appointment was cancelled at the last minute by the buyer due to schedule conflict, therefore, we were unable to introduce FVB Manager, Jerry Choyke to this account.

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V. MERCHANDISING PROGRAMS

- o Plan A meetings conducted by Region Trainer with a high level of enthusiasm and understanding reported. The management team very vocal with the flexibility that our new program provides. We are confident that this flexibility will enhance our efforts in eliminating the PM row gap.
- o Down the Street payments on Al's very successful. Utilization with this type program is above 90%. Recommend that all future Al's include this option.
- o With future Al's, it is strongly recommended that we avoid mail-in coupons in the future, if at all possible. Consumers expect immediate gratification and the redemption on mail-ins is extremely low.
- o System 2000 presentations are well received, however, as a general rule, proposals which provide the most merchandising dollars are accepted.

VI. REGION ACTIVITIES

- o M.I.S.T. Program -- Even though we encountered several problems, the program was, in fact, successful. With the M.I.S.T. Program we gained 26,000 additional rows for the Marlboro family; eliminated 15,800 out of stocks along with closing 4,640 distribution gaps. In addition to these accomplishments, virtually all displays that were supplied for this program were utilized.

Section management would like to continue with the M.I.S.T. program, however, in view of other pressing priorities, we must have worthwhile promotions in order to be successful.

VII. SALES SERVICES

All divisions now receiving Cambridge coupons as needed. Audits and reports reveal 85% of visible product couponed and our sales force is couponing the remainder of product at the time of call. Sales are being positively influenced through the continuous availability of coupons.

Receiving major complaints from Section management due to the lack of Cambridge carton rack labels.

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VIII. SALES DEVELOPMENT

- o K & B Drug, New Orleans (78 stores) still considering a permanent B display magazine rack combination for all stores. Final decision should be reached within two weeks.
- o National Tea of New Orleans accepted 7-wide AV's for 43 stores. Installations being made during the week of June 29.
- o Safeway, Oklahoma City (108 stores), seriously considering System 2000. A final meeting is scheduled for July 27. In an effort to maximize merchandising dollars, Safeway is considering a Reynolds Flex and a System 2000 for each store.
- o Three convenience chains totalling 135 stores in Louisiana, are expressing a sincere interest in the Marlboro banner being utilized for Charter Markets. We have been advised that these banners are not available. I submit that this banner provides excellent visibility and we should consider future availability on this item.
- o Clark Oil - St. Louis, recently agreed to an additional 50 CMS IIs.
- o Circle K requesting AV's for 900 stores.
- o We have arranged for a fixture showing for Winn-Dixie, Ft. Worth on August 1. We feel confident of securing at least a test for PM fixtures.

The United States Beverage Co. of Northglenn, CO is distributing the attached flyer. This flyer advertises coupon books containing 30 coupons for \$30.00. They further indicate that consumers can purchase a carton of cigarettes of their choice for \$10.99 plus \$1.50 for shipping and handling, along with one coupon, and receive 2 cartons. This is an unusual offer and I am not certain of the legality of this promotion.

IX. MEDIA

In the New Orleans market, B&W billboards are approximately 7 to 1 over V/Slims Ultra Lights. I recommend that we take a look at this market and perhaps create additional presence through additional billboards.

X. OTHER -- Nothing to report.

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# Summit Wholesalers, Inc.

8738 Quarters Lake Rd.  
Baton Rouge, LA 70809  
(504) 922-9169

Get your coupon book today!

Ref. # \_\_\_\_\_ FOR \_\_\_\_\_

PRICE \_\_\_\_\_

NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_ NO. \_\_\_\_\_ ZIP \_\_\_\_\_

TEL. NO. \_\_\_\_\_

CHECK \_\_\_\_\_

Special \_\_\_\_\_

30 CLASS CIGARETTES

**Marlboro**

30 CLASS CIGARETTES

via Slims

ent Lights

☐ Cambridge

☐ Pall-Mall

☐ Pall-Mall Filter

☐ Raleigh

☐ Viceroy

☐ True

☐ Parliment

☐ Now

☐ Carlton

☐ Tareyton

☐ Marlboro Lights

☐ Winston

☐ Winston Lights

☐ Camel

☐ Camel Filter

☐ Camel Lights

☐ Kool

☐ Kool Milds

☐ Kool Lights

☐ Salem

☐ Salem Lights

☐ Benson & Hedges

☐ Lucky Strike

☐ Lucky Strike Filter

☐ Merit

All Cigarettes are \$10.99 per ctn., plus \$1.50 shipping & handling.

Special instructions: \_\_\_\_\_

**IMPORTANT:** Make all checks payable to United States Beverage Company. Enclose this form with your check/money order along with coupon when ordering. Limit one coupon per order per customer.

**UNITED STATES BEVERAGE CO.**  
P.O. BOX 335624  
NORTHGLENN, CO 80233

United States Beverage Co. has authorized Summit Wholesalers of Baton Rouge to offer the general public the opportunity to purchase their cigarette at below wholesale prices. Each coupon book is only \$30.00 and contains 30 individual coupons. Each coupon is redeemable for one carton of name brand cigarettes.

A yearly savings of over \$260.00!

## CIGARETTE COUPON

This coupon is redeemable for one fresh carton of cigarettes, regular or menthol when purchasing another of the same. Refer to price list for selection and ordering.

REDEEMABLE ONLY THRU  
UNITED STATES BEVERAGE CO.

Expiration date: 6/1/89

It's simple:

You purchase your first carton of cigarettes for \$10.99 + \$1.50 shipping and handling and enclose one coupon. We in turn send you not one, but TWENTY cartons, absolutely fresh right to your front door!

(Please allow 7 days for delivery)

1.49  
1.50  
12.49

**Call: 922-9169**

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## I. PM BRANDS

### PRICE VALUE

.The Cambridge Full Flavor Introduction is going extremely smooth with only 3 major turndowns to date - Safeway, Kansas City, Safeway, Seattle and Consumers Markets, Springfield, MO. Kansas City Safeway turned down the product since they allow no couponing of branded Generics due to the competition of Scotch Buy. Safeway, Seattle has historically not picked up any brand on the first presentation and we will re-present after the 4th of July weekend. Consumers did not pick up the Lights packing nor do they carry Doral.

.The prebooking by Sales Representatives has not only allowed rapid distribution at retail but also assisted Area Managers in selling in at the wholesale levels. Overall, the entire introduction will be quite successful throughout the Region.

.Cambridge Heavy Up Menthol Program was completed however, displays throughout the Region did not arrive therefore necessitating Sales Representatives to utilize all purpose displays for this promotion.

### FULL MARGIN

.Direct customers were not nearly as upset over the price increase as anticipated however, due to lack of product, we received numerous phone calls as to why the leader in the industry could not supply their customers with the number one selling brands.

.Field sales force is very excited and optimistic about the new Marlboro Sports Bag Promotion in August as well as the new payment schedule which allows them the flexibility to place displays in a variety of accounts.

## II. COMPETITIVE ACTIVITY

.American - Overall distribution of Pall Mall Red Filters throughout the Region is fair with 2 for 1 promotions being placed inconsistently at retail. Their continued test of Malibu in Spokane is receiving heavy support with their continuing use of \$3 off carton coupons with floor displays that range in size from 30 to 75 cartons. It is reported that payments for 1 month basis on these displays is anywhere from \$30 to \$63. In addition, they are buying space on value centers for \$2 per row. Overall, they have gained excellent distribution however, overall sales are reportedly marginal.

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We have received a rumor that American has a contract that they are now willing to pay \$1 per row on a non-self service carton fixture as long as the product is visible. We are endeavoring to get a copy of the contract.

.Brown & Williamson - They have expanded their test of Falcon Lights to the State Of Oregon and are currently featuring \$1 off carton coupons and packs at 10¢ less than other Generic brands. Distribution is currently very poor and sales are reported as nearly nonexistent. Raleigh and Belair are continuing to be shipped to wholesalers with \$2 off carton coupons attached however, they are continuing to have problems with this program due to the confusion of their regular priced Raleigh and Belair.

.Lorillard - Retail sales force continuing to convert True to the new silver package however, there has been very little significant advertisements or promotions to support the package change.

.RJR - Have been very successful in working a retail inventory build up program that features \$2 off carton coupons on all of their brand name products and offers 25¢ off per carton to the retailer to load in the product. They have been very successful in gaining heavy inventory levels as well as large displays and end caps in several major accounts.

Continue to heavily promote their overhead package merchandiser and all areas of the Region report that RJR has \$150 installation payment which they are using as a conversion bonus to remove Philip Morris overheads. To date, they have received some success in removing our overheads.

.Generic - Due to the exclusive 3 year commitment, PACE Membership Warehouses have decided to go with L & M Generics instead of FVB. Tom Wilhelms will continue to follow up.

### III. TRADE CLASSES

.We continue to receive pressure from PACE Membership Warehouse Clubs concerning carton merchandising payments. It is reported that B & W and Lorillard has informed PACE that they would not participate in any merchandising payments. Suggest we make a decision on this matter and move quickly to an alternative business building proposition in these type of accounts.

.The Skaggs/Alpha Beta Gamera Saverama is now completed and it has been an excellent business building program as well as rapport building with this account. We should continue to pursue participation in the future.

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#### IV. KEY ACCOUNT CONTACTS

.Wilson Croom - Flaks, Inc. Denver - Discussed upcoming Colorado Assoc. Of Tob & Candy Distributors annual convention as well as general business in regards to his operation in Colorado and New Mexico.

.Ken Wager - Super Valu Denver - Discussed Philip Morris merchandising programs and general business conditions in the Denver area.

.Matt Keller - PACE Membership Club Denver - Reviewed with Matt the various merchandising proposals that he wishes Philip Morris to participate in. Took these under advisement and discussed with New York.

#### V. MERCHANDISING PROGRAMS

.Installation of System 2000 at Consumers in Springfield, MO is progressing on schedule and we have currently converted two-thirds of all stores with final completion date of mid July. From all reports, Consumers is extremely pleased with our hardware as well as professionalism in installations.

.We have placed a System 2000 demonstration rack in Dillons Corporate Offices as they were concerned about the height of the 7 shelf configuration. After reviewing our fixtures and proposal, we expect to get the final confirmation on placing a fixture in 2 test stores.

.We have received local approval to place 8' Maxi's in the remaining 7-11 Mako locations in Southern Missouri. In addition, in the next 2 weeks we expect to obtain written authorization to place our overheads chainwide, totalling nearly 250 stores.

.While we were unsuccessful in placing System 2000 in Roth's Food Stores in Oregon, we were successful in improving their cigarette department from 180 rows to 312 where we anticipate to pick up in excess of 100 rows per store which will be a Philip Morris row gain of over 40 rows per store.

.The new AV Program was accepted extremely well by our sales force and we are confident that we will gain additional rows for Cambridge due to the new payment schedule. We do however need support materials to ensure its success.

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#### VI. REGION ACTIVITIES

.We have implemented the temporary part-time couponer program throughout the Region. Results were not near as positive as we may have thought. We found that most product at retail was couponed either by SR's or Incentive Merchandisers and therefore, part-time personnel had very little product to coupon. In addition, it was very difficult to control ordering levels to ensure that product was available in the stores at the time of the couponers contact.

.During May and through June, our sales personnel has continued their efforts to establish Philip Morris retail dominance through fixtures and increased carton inventories. During May, the Region has added over 2,800 new Philip Morris rows through increased Plan A participation as well as 27 new carton fixture placements bringing the Region total to 585. Package fixture placements have improved by 105 bringing the Region total to 3,376 units.

#### VII. SALES SERVICES

.With the exception of 1 warehouse in Salt Lake City, we have now implemented and consolidated warehouses throughout the Region. Nearly all large POS items as well as fixtures have been reshipped to centralized warehouses therefore, cleaning up all mini storage points within the Region.

.Much of the management material for the Cambridge Full Flavor Introduction was received late with trade fact sheets and trade circulars arriving the week of June 8th. While this information was provided in PPP's, valuable time was lost in typing and printing makeshift circulars to use with our accounts.

.SSM John Clary reports that through the Chicago Satellite Warehouse all backorders are filled starting with the lowest territory number and the lowest Region number which in effect means that Region 2's needs are always serviced first and Region 6 always last. Recommendation is that backorders should be filled based on the date the order is entered with older orders being serviced first.

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#### VIII. SALES DEVELOPMENT

.Have had numerous requests from convenience class of trade for banners advertising a special 3 pack price. To meet their needs, this banner should be developed featuring our advertising but notifying the customer that a variety of brands are being offered at the special 3 pack price. Perhaps we could modify a version of our Marlboro & Other Popular Brands Sold Here Signs. We also need a supply of special 3 package banding that the accounts could use to band the cigarettes together. This banding should stress a price savings to the consumer for buying 3 rather than 1 such as stating, "Special Offer".

#### IX. MEDIA

.Through Vinnie Weiner, we have purchased a Stadium Suite for the Kansas City Chiefs games totalling 12 tickets. Excellent program and we are in the process of selecting accounts for their participation and entertainment.

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## REGION 7 HIGHLIGHTS

JUNE 1987

### I. P.M. BRANDS

- . June Y.T.D. volume -.9%
  - (71) +2.8%, (72) -7.0%, (73) +2.1%
  - (71) new Payless and Certified Grocers Warehouses opened this month.
  - (72) & (73): Shifts to 73 from 72 due to new Southland Distribution Center opening Fall '86 in San Bernardino.
- . Cambridge Full Flavor
  - Introductory acceptance going well in management accounts and retail pre-booking.
  - Also closed Cambridge Lights Distribution Gaps in Vons - L.A. (180 stores) and Safeway - Phx. (85 stores).
  - Major chain hold-outs to date: Safeway - S.F. (243 stores), Lucky S.F. (159 stores), Raley's - Sacto. (50 stores), Luckys - L.A. (185 stores).
  - No major breakthroughs on AG/AV acceptance; however, very close on Safeway - L.A. (180 stores), Vons - L.A. (60 store), Save-Mart - S.F. (55 stores).
- . Virginia Slims Ultra Lights Test - (San Francisco)
  - Brand continues to show slow, but steady sales throughout all test area.
  - Special outside agency mass distribution of C.I.P. coupons stimulated sales considerably.

### II. COMPETITIVE ACTIVITY

#### American

- . Expanding retail sales force in Los Angeles.
- . Sales representatives to be more aggressive in gaining shelf space, advertising and promoting value brands.
- . Placing five shelves 5-wide (4-cartons high) AV units at retail. \$45.00 monthly payment for 300 CPW. Only American products featured (Lucky, Pall Mall Filter, Carlton). Topper for 2 for 1 promotion.

#### Brown & Williamson

- . To begin retail introduction of Capri 100's on July 7th.
- . In June retail introduction of Falcon.
- . \$1.00 per carton promotional monies (\$1.00 cash, \$1.00 coupons, or 10¢ off pack stickers - sales representative discretion.

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- . 90 carton assorted Kool display - accounts receives ten cartons of Falcon as gratis.
- . Stimulate distribution of Falcon in ethnic areas.

Lorillard

- . Sales force completed conversion of True from blue to silver packing during June. No consumer offers and stimulation of sales has been noted.

Liggett

- . Contacting several wholesale accounts in northern, California to gain distribution on upscale generics "Classics".

R. J. Reynolds

- . Retail introduction of More Lights 120's exchanging out 100's help distribution. No sales yet.
- . Camel Lights "buy 2 packs with free lighter" promotion and 25¢ off per pack special displays - good sales.
- . Phoenix RJR introducing Winston Lights Box King and 100's to direct accounts.
- . Sales on Magna in Las Vegas continues to be moderate. Cartons are couponed at \$1.00 off.
- . RJR aggressively pursuing placement of Value Centers in convenience chains.

III. TRADE CLASSES

- . Five new warehouse clubs opening within the next six weeks. Including Costco, Price, Pace, and Buyers club. All except Price Club doing very little volume.
- . Circle K has reduced the number of authorized brands from McLane to 150. P.M. loses only a few marginal packings.
- . Safeway stores has sold 104 Liquor Barns to Majestic Wine Warehouse, a British retailer.
- . 17 Longs Drugs stores in Phoenix have been sold to Osco, a division of Alpha Beta.
- . Rumors continue on sales of Safeway division in El Paso to Furrs but nothing has been announced yet.
- . Core-Mark has made Tom Teed from Australia C.E.O. and Tony Regensburg as President & C.O.O. This was finalized at their July 1st meeting in Canada.
- . *ALPHA BETA CONSIDERING DISCONTINUING ECONO-BUY IN FAVOR OF BRANDED GENERICS*

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#### IV. KEY ACCOUNT CONTACTS

##### DRS Key Account Contacts

###### Core-Mark Hq. (Hollywood) Dean Parker

Met with Dean to discuss some reported situations that Core-Mark sales persons are discouraging and restraining the sale of Cambridge to their retail customers. Dean admitted that his directives encouraged the sale of "Best Buy" and "Major Brand" to all accounts due to some heavy quotas that he has compelled to meet. He stated that some of his managers may have interpreted this as a discouragement of Cambridge. We reviewed the specific instances which he promised to correct. He also asked that I contact him personally on any and all future occurrences of this type.

###### MTC/Save Mart (Modesto) Tom Eakin - Joe Garcia

Accompanied F.V.B. Manager Jerry Booher and SSM Steve Vasquez on this call to present a proposal for a joint Cambridge/All American distribution and value centers in Save Mart (53 stores) and New Deal (20 stores) supermarkets. Tom and Joe were very interested in the proposal if we would agree to provide racks for value centers in all stores. We agreed to utilize System 2000 if three conditions were met: (1) Accept all American as sole generic - (2) Feature Cambridge - (3) Gain P.M. spinners in all Save Mart stores. Final arrangements are now being worked out.

###### Vons Grocery Co. (El Monte) Gary Edwards

Met with Gary to discuss possibilities of placing P.M. A/G centers in the 60 potential stores without value departments. These would replace the current Liggett units used for house brands. I also discussed possibilities of Vons accepting us as their private label supplier and the recent acceptance of both Cambridge Lights and Full Flavor. Gary agreed to this and asked to send in one demo unit immediately. We also discussed System 200 and I gained agreement to add a 5th shelf to all current P.M. fixtures in Vons to gain more P.M. rows and increase all companies payments. This is now being done.

##### ADRS Key Account Contact

###### Vons Grocery Co. - El Monte, CA

I made two calls on Ron Fugishiki. The first, with F.V.B. Manager Jerry Booher centered around our manufacturing of their house brand. Length of contract and up-front money were the two main negotiating points. Follow-up with NYO will be done.

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The second call, with SSM Barry Baker and SAM Bernie Nilson, concerned the introduction of Cambridge Full Flavor and Cambridge Lights. Cambridge F.F. was accepted along with the regular packings of Cambridge Lights. Automatic distribution of 40 cartons per store will take place in early July.

#### V. MERCHANDISING PROGRAMS

- . West Coast Project
  - 540 stores implemented with P.M. carton fixtures as of July 1st. (423 System 2000, 117 CMSII).
  - 399 stores implemented with P.M. centralized package merchandising.
- . Stater Bros. accepted new RJR Flex fixtures. P.M. will increase rows from 81 to 95 in all 96 stores. P.M. gains 1,400 new rows.
- . Acceptance by chains of Marlboro Lighter displays is excellent both by retailers and consumers.
- . Security kits for AG/AV are a good improvement. Should also stimulate increased placements.
- . Placement of M5 displays in 7-Eleven Central Pacific division S.F. must make individual presentations to franchisee.

#### VI. REGION ACTIVITIES

- . Marlboro Shopping Baskets are being well received at chain level. Most placements, however, are from convenience stores.
- . Players 2 for 1 special promotion stimulated much increased volume. However, brand slowed after promotion.
- . Special Hispanic promotions worked in S.F. during June, over 2000 people attended. Feedback is excellent.

#### VII. SALES SERVICES

Nothing new to report

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#### VIII. SALES DEVELOPMENT

- . Experienced numerous complaints of out of stocks prior to recent price increase. A few critical out of stocks situations were particularly noticed with B&H due to B&H 100's allocation.
- . Continue to get numerous requests from major chains to participate in co-op advertising - particularly on value brands.

#### IX. MEDIA

Nothing new to report.

#### X. OTHER

Nothing new to report.

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